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SUBJECT: UAE DRAFT COMPANIES LAW WILL ALLOW GREATER THAN 49  
PERCENT FOREIGN OWNERSHIP IF CONDITIONS ARE MET

¶1. (SBU) Summary: If enacted in its current draft form, a new UAE companies law will allow the Ministry of Economy and Commerce to grant exceptions to the 51/49 percent ownership requirement on a case-by-case basis. This exception will allow U.S. and other foreign companies to own more than 49 percent of a business venture in the UAE if the company guarantees that it will employ a significant number of UAE nationals. End summary.

¶2. (SBU) In a late September meeting with the Ministry of Economy and Commerce, the Assistant Undersecretary for Economic Affairs and International Cooperation told econoff that a draft companies law includes a provision that will grant foreign companies an exception to the 51/49 percent ownership requirement, provided the foreign company guarantees to the UAEG that it will hire a significant number of Emirati nationals. According to a separate MOEC official, the new law will establish a committee headed by the Minister of Economy and Commerce that will review applications from foreign companies to determine if their proposal merits granting a waiver to the companies law. (Note: Under the current companies law, a foreign company must partner with an Emirati company in order to operate in the UAE outside of the free zones, and at least 51 percent of the business establishment must be owned by a UAE national. This waiver would allow U.S. companies to own a majority percentage of ventures in the UAE. End note.)

¶3. (SBU) The MOEC official noted that this law was first drafted seven years ago, and that it has been moving slowly through the process ever since. He stated that a committee

comprising Ministry officials, representatives from the UAE's Federal National Committee (FNC), and legal advisors from each of the seven emirates, was recently established to study the draft and ensure that its provisions are not outdated. If the committee determines that the law is still appropriate at this time, the draft law will be forwarded on to the FNC for review and approval.

¶4. (SBU) Comment: The provision of exempting the 40/51 percent foreign ownership is an attempt to address concerns regarding the high unemployment rate among Emirati nationals. UAE officials estimate that the unemployment rate among nationals is 32 percent. As such, the UAEG has embarked on an ambitious program of "Emiratization" that encourages d in some sectors, requires ivate companies to employ Emirati nationals. Although the Emiratization program began in 1997, it has not been very effective to date. End comment.

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